

Business Community Investment Advisory Council Report to the Iowa Empowerment Board

December 31, 2006

Introduction: Charge to the Business Community Investment Advisory Council

The Business Community Investment Advisory Council was established by state law (House File 2769) in 2006 to:

Advise the Iowa Empowerment Board on the best means to leverage private investment in early care, health, and education services and provide options for creating model projects for public-private partnerships to support quality early care, health, and education programming in communities.

The Council was charged with submitting a report to the Iowa Empowerment Board by December 31, 2006 that addresses the following:

- (1) A strategy for blending funding for early care, health, and education services from the public sector and the private sector, including but not limited to the funding provided by businesses and the private sector;
- (2) A strategy for community empowerment areas to develop and implement local public-private partnership networks and apply for state and private funding and competitive grants;
- (3) A strategy for requiring local match funding for a community empowerment area to access that funding;
- (4) Accountability and evaluation measures; and
- (5) Provisions to ensure efficiency.

The Business Community Investment Advisory Council held three meetings, covering four days, to accomplish its charge: Tuesday, October 24th, Monday and Tuesday, November 20th and 21st, and Tuesday, December 19th. During the first meeting, the Council reviewed materials on Iowa's young children and the current services and programs provided to them, identified additional information needs (including descriptions of other state efforts to develop public-private partnerships – see Appendix B), and mapped out a general work plan to accomplish its charge. During the second meeting, the Council reviewed the materials that were provided in response to the requests for additional information, further defined its charge, and developed a framework for a state strategy to blend and leverage funding at the state level – based upon rationale and principles for such private sector investment. Members received a draft statement of findings and recommendations, based upon these deliberations, for further development at the final meeting. The Council devoted the third meeting to reviewing and refining this draft statement and recommendations and produced the findings and recommendations provided below. All working documents and informational materials used by the Business Community Investment Advisory Council are available through the Iowa Department of Management, Office of Empowerment.

As members of the Business Community Investment Advisory Council, we support this report and pledge to promote and develop the Investment Fund:

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Business Community Investment Advisory Council

Findings and Recommendations to the Iowa Empowerment Board

The Rationale for Private Sector Involvement and Investment

The Business Community Investment Advisory Council began its deliberations by examining current early care, health, and education services in Iowa and their effectiveness in ensuring that all children “beginning at birth, will be healthy and ready to learn.”

The Council concluded that businesses and other private sector entities should be vested stakeholders in ensuring that efficient and effective early childhood services are available for all young children. The Council found a direct relationship between effective early childhood services and these economic benefits to business and society:

- development of a skilled future workforce needed for Iowa’s vitality and leadership;
- a strong return-on-investment from providing early childhood services, particularly in reduced future governmental and society costs on remediation, compensatory education, and public protection services;
- a more dependable current workforce, with greater attraction and retention and less absenteeism and more productivity as young children’s child care and health needs are better addressed; and
- greater local economic activity through the further development of that part of the business sector (particularly child care) meeting young children’s health and development needs.

Currently, there are Iowa business and private sector leaders who recognize the importance to Iowa’s future of developing quality early childhood services and have exhibited leadership in promoting increased investments in early childhood. At the same time, the Council concluded there is both a need and an opportunity to strengthen business and private sector involvement and leadership on early childhood issues. This includes but goes beyond raising private sector funds for early childhood service systems.

The Private Sector’s Role in Supporting Early Childhood

The Council identified the following as important roles that business, employers, and the private sector can assume in supporting development of quality early childhood services and improving young children’s health and school readiness (see Appendix A for a more detailed list of these roles and activities):

- proactively advocate for the necessary public sector investments and the quality and accountability provisions needed to ensure efficiency and effectiveness of those services, while taking measures to avoid duplication;
- provide information to employees on early childhood development and promote opportunities for employees to fulfill their roles as their children’s first and most important teachers (e.g. lunch and learn sessions),
- provide work-related benefits related to early childhood (e.g. flexible hours);
- be an active participant in community- and state-level planning and governance activities (including community empowerment boards and nonprofit boards of

organizations serving young children or their families), bringing a business-oriented perspective, emphasizing efficiency and accountability;

- provide business management assistance to center-based as well as home care providers of services to young children and their families; and
- secure private sector investments or lead fund drives to support early childhood programs and services.

The Council stressed the importance and value of all these business and private sector roles, although the Council's charge primarily was on the sixth point, securing private sector investments. When business and the private sector become vested stakeholders through financial investment, this also increases their involvement in other activities and helps to strengthen the emphasis upon efficiency, accountability, results, and evaluation. The Council also emphasized that securing private sector investment and commitment depended upon developing a strong community and private sector education and marketing strategy to enlist business and private sector support.

The Private Sector's Role in Financing Early Childhood Services

The Council reviewed initiatives in other states to establish public-private investment partnerships for early childhood and also reviewed Vision Iowa and the Grow Iowa Values Funds for models (see Appendix B for a matrix describing other state investment partnerships). The Council concluded that, to date, public sector investments have played the primary role in developing Iowa's early childhood system. Public investments also can be used to leverage private sector investments. These private sector investments can be used very effectively if they are strategically deployed. The Council identified the following guiding principles for developing public-private investment partnerships:

- Develop a common and compelling vision that addresses the needs of young children and their families. The vision should provide benefits ("wins") for children, families, businesses, and communities.
- Establish clear and common goals for the public/private partnership. These should be based upon good data and information on young children and services developed to support them and ensure equity. They should employ quantifiable objectives and stress accountability in achieving them.
- Recognize and build upon the strengths of both public and private stakeholders. This involves clear communication about roles and responsibilities, a strong understanding of the self-interests of all stakeholders, and an underlying recognition of the need to work together in order to accomplish those goals.
- Value mutual learning and development, be sensitive to the different constraints stakeholders may face, and demonstrate mutual respect.
- Promote public awareness about the work. It is essential to think and work strategically and foster public recognition and support.
- Enlist committed leaders and sustain a sense of urgency and opportunity. It is important to be bold.

The Structure for a Public-Private Investment Partnership

Employing these principles, the Council developed its recommendations for a public-private investment partnership that met the Council's charge for blending funding from the public

and private sector at the state level, developing local public-private partnerships, requiring local match, incorporating accountability and evaluation measures, and insuring efficiency.

Structure. The Council recommends that an Investment Fund be established to raise private sector contributions at both the state and the community level. The Fund will seek matching contributions of at least \$1 million at the state level from the private sector (foundations, corporations and business associations with a statewide focus, and other contributors) to match the appropriated \$1 million in state funds. The first funds will be made available for local grants when the first \$250,000 is secured from the private sector, with public funds released on a one-to-one matching basis.

These combined public and private sector funds will then leverage local matching funds as grants available to community empowerment boards for specific projects. There will be a requirement for a local match to receive these funds of at least 40% (10% of which can be ‘in kind’ match and the remainder can be from the private sector or local government contributions). In select instances based upon need, the private sector or local government contribution may be waived or additional “in kind” match substituted. Initially, the grants shall be up to \$25,000 in state matching funds for an Empowerment Board project. For an overall grant of \$40,000, \$24,000 could come from state matching funds and \$16,000 would be required in local match, of which \$4,000 could be in-kind contribution.

The state fund and the local projects will be established in a manner that private sector contributions represent business expenses and/or charitable contributions that are deductible for federal and state income tax purposes at the individual and corporate levels.

Initial Focus. Funds will be used strategically to address recognized needs in one of three areas: quality child care/early education, health, and technology. The specific focus may be changed on an annual or periodic basis. Focus areas are designed to meet strategic needs that improve early childhood systems at the local level, with an emphasis upon evidence-based opportunities that provide opportunities for innovation that, where successful, can be adopted into general activities and be sustainable. Local projects will incorporate measurable objectives and emphasize accountability and efficiency. Funds also need to ensure that there is equity across the state, particularly between urban and rural areas.

Branding, Marketing, and Staffing. The Investment Fund will have a name that brands it. The Fund will have an active marketing plan, including development and use of a prospectus (see Appendix C for a draft prospectus outline). Initially, from 5% to 10% of the fund shall be used for the purpose of contracting for marketing and fund development services. Additional funding may be used to provide staff support to local communities to design sustainable projects and secure matching community resources, drawing upon the model developed for Vision Iowa and the Community Attractions and Tourism Fund.

Governance and Management. At the state level, the Investment Fund will be operated by the Iowa Empowerment Board. The Iowa Empowerment Board should establish a special committee, which includes strong representation from the private sector, individuals with expertise in the area of early care, health, and education, as well as possible positions for major state-level contributors to the Fund, to oversee the Investment Fund and its

priorities, review local project grants, and make recommendations to the Iowa Empowerment Board for final actions regarding the Investment Fund.

Future Appropriations. The General Assembly should appropriate an additional \$5 million in the 2007-8 general fund budget to provide additional public matching funds for the Investment Fund.

APPENDIX A

POSSIBLE BUSINESS ROLES IN SUPPORTING YOUNG CHILDREN'S DEVELOPMENT

Roles within Business

- Provide information on child development to employers, through:
 - Lunch & learn activities
 - Distribution of information on child development provided from other organizations and sources
 - Inclusion of information in employee emails and newsletters
 - Links to child development websites
- Incorporate child development themes into customer relations activities:
 - Shop & learn activities
 - Play spaces and materials for young children in waiting areas
 - Business themes and campaigns that incorporate child development
- Adopt formal and informal office policies and practices that support working parents of young children:
 - Flexible hours employment
 - Leave policies for caring for a sick child
 - Leave policies for attending child conferences
 - Recognition of volunteer time and service on nonprofit boards
 - Breastfeeding options and lactation rooms
- Provide financial assistance and supports to employees with child care needs
 - Flexible benefits programs that support child care
 - Subsidized child care benefits/on-site child care

Roles within Community

- Advocate for public investment in early childhood programs and services
 - Support for lobbying and advocacy by business organizations and associations
 - Individual leadership as spokesperson for investment
- Provide business expertise to early childhood activities
 - Service on boards of early childhood organizations
 - Technical assistance on business development and management issues
 - Marketing and communications assistance
- Provide financial support for early childhood systems development
 - Public-private investment partnerships
 - Infrastructure (building and professional development) development
 - Advocacy campaigns

APPENDIX B

Public-Private Partnerships in Early Childhood and School Readiness **State Examples**

| | Public-Private Funds Invested | Uses of Public-Private Funds | Public-Private Councils or Governance Groups | Purposes of Councils or Governance Groups |
|-----------------|---|---|---|---|
| Arizona | Established in 2004 the Arizona Early Education Fund has raised \$5 million in private sector funding, disbursed \$3.5 million of that funding and set aside the remaining \$1.5 million as the basis for an endowment fund | The funds are used locally by county-based partnerships to support early childhood education programs including literacy, child health, professional development, scholarships, quality improvement programs as well as general capacity improvement for systems building, community assessment and work to encourage the leveraging of resources both private and public | There is a Strategic Grant Review Committee made up of 6 early education experts from across Arizona and an Early Education Fund Advisory Board comprised 23 representatives primarily from the private sector. | The Strategic Grant Review Committee reviews grant applications and make funding recommendations to the Advisory Board which sets an overall vision for the Fund. |
| Colorado | The Colorado Early Learning Fund (through Qualistar Early Learning) is currently funded primarily through public funds and grants with the goal of bringing in more private funds through foundational and business support in addition to the required regional match. | The Fund is used to improve quality in early learning programs throughout the state specifically through the Qualistar Rating (25%) and Quality Improvement Services (75%). Regional areas receive funding and have local flexibility within these overarching guidelines. | The Qualistar Board of Directors (currently with 18 members) is a volunteer board comprised of public and private representatives. | The Board provides leadership and vision, but is not a governance board. |

| | Public-Private Funds Invested | Uses of Public-Private Funds | Public-Private Councils or Governance Groups | Purposes of Councils or Governance Groups |
|------------------|---|---|--|--|
| Georgia | Smart Start Georgia (associated with the local United Way) received \$11.1 million from the public sector and \$2.5 million from the private sector during the 2004-2005 fiscal year. | Established in 1999 to promote school readiness the funding is used to support 8 programs directly related to improving the quality of early care settings. Five of these programs are focused in Atlanta with the remaining three impacting statewide. | Smart Start Georgia Board of Directors is comprised of 16 members representing leaders in the public and private sector | The Board oversees fundraising and program implementation |
| Indiana | The Indiana Child Care Fund (a 501c3 organization) currently manages 10 million in public/private funds | To strengthen and foster quality child care environments | NA | NA |
| Minnesota | The Minnesota Early Learning Foundation (501c3) has raised \$2.5 million in corporate and foundation donations and is working toward a \$30 million goal. | To research and identify the most cost effective ways to prepare low-income, under served and at-risk children for school and future employment as well as make recommendations on how to use public and private resources through pilot projects. | 12 member Board from the private sector including 7 corporate CEOs, a University President, the local United Way President, a researcher from the Federal Reserve bank of Minneapolis among others | Oversee fundraising, planning and provides pilot project selection input while working with the 2 staff members of the Foundation |
| Nebraska | State Endowment Fund was created by legislative action. \$40 million in state funds and \$20 million in private funds were promised which will generate approximately \$3 million annually. | Quality birth to three services for at risk children and their families | An Early Childhood Board of Trustees consisting of public and private representatives appointed by the Governor was created to support the endowment. | The Board will make recommendations for rules and regulations regarding the Birth to Three grant program which will then be considered for adoption by the State Board of Education. |

| | Public-Private Funds Invested | Uses of Public-Private Funds | Public-Private Councils or Governance Groups | Purposes of Councils or Governance Groups |
|-----------------------|---|--|---|--|
| North Carolina | The North Carolina Partnership for Children (Smart Start) currently reports \$203.6 in state funds and has raised more than \$257 million in donations since it began in 1995. The Partnership is mandated to raise one dollar for every 10 it receives in state funding. | The Partnership utilizes funding to provide local support in early childhood systems building, state level systems building work and coordination, public awareness campaigns around the importance of early childhood, accountability support and technical assistance for local areas as well as provides national leadership in these systems building areas. | The Partnership is governed by Board of Directors (currently 26 members) made up of public and private sector representatives including representatives from state agencies, private business, education, nonprofits, religious organizations, child care providers, parents and members of the General Assembly. | The governing board provides oversight and develops policy as well as ensuring accountability. |
| Oklahoma | Oklahoma Partnership for School Readiness Foundation was founded in 2003. Funding amounts are not currently available. | Provides resources for state and local level system building focusing on the areas of early childhood and school readiness as provided by the Oklahoma Partnership for School Readiness and Smart Start Oklahoma communities | Governed by a 10 member board made up of private citizens | To raise money from the private sector to support Smart Start Oklahoma and their activities |
| Oklahoma | In 2006 the State committed \$5 million that requires a 2:1 match of \$10 million from the private sector | A pilot program to provide full-day, full-year services for children birth to age three, targeting low-income families in rural and urban areas. | NA | NA |

| | Public-Private Funds Invested | Uses of Public-Private Funds | Public-Private Councils or Governance Groups | Purposes of Councils or Governance Groups |
|-------------------|--|--|--|--|
| Virginia | Virginia Early Childhood Foundation is a statewide 501c3 which received 1 million for the first year and 1.5 million the second year. A dollar for dollar match from local public/private resources is expected. | The focus is to build an effective early childhood system that includes a focus on local infrastructure and capacity for system building work, public awareness around early childhood, innovative practices at the local and state level as well as evaluation and accountability in all these areas. | Governed by a Board of Directors whose membership consists of a mix of the public and private sector | Oversee vision statement and provide leadership around the goal areas |
| Washington | Thrive by Five (501c3) has received \$9 million since its inception. One million is from the public sector and \$8 million from private partners. One funder (Bill and Melinda Gates Foundation) has pledged \$90 million for early childhood in Washington over the next ten years that will focus on some of the Thrive by Five areas of work. | Thrive by Five utilizes funding in four primary areas including demonstration communities, promising models, statewide infrastructure support and community/parent education | Board of Directors (17 members) and a Steering Committee (19 members appointed by the Board of Directors) consisting of representatives from both the public and private sectors | The Board is a governing body for Thrive by Five and acts in that capacity. The Steering Committee is in place to support and advise the Board of Directors and the president. |

NA = Not Available

APPENDIX C

PROSPECTUS OUTLINE: BE A STAR INVESTMENT FUND

[Note: “Be a Star” is used here as the name for the investment fund, but this name could change, based upon marketing and fund development work]

The Be a Star Investment Fund is a public-private fund partnership that matches private sector contributions with state appropriations, on a dollar-for-dollar matching basis up to the amount of funds appropriated at the state level (\$1 million in 2005-6, with an additional \$5 million proposed in 2007-8).

The Be a Star Investment Fund will be used to leverage additional local public and community investments in innovative early childhood projects to improve young children’s health and readiness for school. The Fund will be used strategically to expand the quality and availability of early childhood services that will improve young children’s healthy growth and development.

Rationale for Be a Star Fund

Iowa’s future is dependent upon a skilled and well-educated future workforce. Key to developing this workforce is a strong educational system. While parents are their children’s first and most important teachers, parents also need support from their communities in their children’s earliest learning years to ensure their children are healthy and ready to learn.

Research is clear on the critical importance of the first years of life for lifelong learning and development. There is a extensive evidence of the value of high quality early childhood programs (in health, parenting education and family support, child care, and preschool) in improving children’s healthy development, readiness for school, and future success. This evidence of the overall return to society in making such investments in the early years has led Nobel Laureate economist James Heckman to conclude, “Invest in the Very Young.”

While Iowa has many exemplary early childhood programs, they are scattered widely throughout the state and do not reach all young children who could benefit from them. Quality and effectiveness need to be improved in many of the programs that currently serve young children and their families.

In order to ensure Iowa’s future, Iowa must further invest more in early childhood programs and services, with an attention to high quality and accountability for results.

The Be a Star Investment Fund provides an opportunity for business and the private sector to influence and spur development of the early childhood system that Iowa’s young children need to be healthy and start school prepared for success.

The Be a Star Investment Fund will be strategic in leveraging innovation at the community level to build that effective early childhood system. The Fund will incorporate the best

business thinking into developing that system and will serve as a catalyst for efficient and cost-effective public sector investments.

Be a Star Investment Fund Goal

Initially, the Be a Star Investment Fund is seeking \$1 million in private sector funds to match \$1 million in currently-committed state funds. The long-term goal of the Iowa Be a Star Fund is to provide a private-sector match of up to \$5 million annually in private sector funds to match an equivalent amount in state-appropriated funds.

The Be a Star Investment Fund is seeking private sector contributions from the following:

- Individuals
- Corporations and Businesses
- Business Associations and Organizations
- Philanthropic organizations and foundations.

Contributors to the Be a Star Investment Fund will be recognized in Fund materials.

Community Investment Goals

The Iowa Be a Star Fund will further leverage investments at the community level, through providing grants for local projects that must demonstrate substantial community involvement and investment.

To be eligible for funding through the Be a Star Investment Fund, at least 40% of any local project must be matched from local sources. These local sources can be new investments from any of the following:

- Local government (county, city, or school district)
- Local businesses and corporations
- Chambers of Commerce and United Ways
- Civic and faith-based organizations
- Nonprofit service providing organizations
- Philanthropic organizations and foundations
- Individuals.

Up to 10% of the 40% local project match can represent “in kind” contributions.

Initially, the grants will focus upon three critical areas for early childhood systems development:

- Quality child development, early education, and preschool services
- Health services
- Technology.

Fund Governance and Management

The Be a Star Investment Fund will be operated under the Iowa Empowerment Board. The Empowerment Board is establishing a special committee, including substantial representation from the private sector, to oversee the Fund.

Management of the Be a Star Investment Fund will include acquisition of professional marketing and fund development services and development of a staff structure for supporting community grant project development and oversight that is modeled after the successful Vision Iowa Community Attraction and Tourism program.

First Closing

The Be a Star Investment Fund will have its first closing for contributors on March 31, 2007 for at least the first \$250,000 in private funds. When \$250,000 of private sector funding is obtained, state funds will be released to match private sector funds on a dollar-for-dollar basis and the local granting process will commence.